

Status Conference Date and Time: July 10, 2012 at 10:00 a.m. (prevailing Eastern Time)

Gregory M. Petrick
Ingrid Bagby
CADWALADER, WICKERSHAM & TAFT LLP
One World Financial Center
New York, New York 10281
Telephone: (212) 504-6000
Facsimile: (212) 504-6666

-and-

Mark C. Ellenberg
CADWALADER, WICKERSHAM & TAFT LLP
700 Sixth Street, N.W.
Washington, DC 20001
Telephone: (202) 862-2200
Facsimile: (202) 862-2400

Attorneys for MBIA Insurance Corporation

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

| | | |
|---|---|-------------------------------|
| -----X | : | |
| In re: | : | |
| | : | Chapter 11 |
| | : | |
| RESIDENTIAL CAPITAL, LLC, <i>et al.</i>, | : | Case No. 12-12020 (MG) |
| | : | |
| Debtors. | : | (Jointly Administered) |
| -----X | : | |

**MBIA INSURANCE CORPORATION'S STATUS REPORT REGARDING
DISCOVERY CONCERNING THE RMBS TRUST SETTLEMENT
AGREEMENTS AND RMBS TRUST PLAN SUPPORT AGREEMENTS**

1. On June 25, 2012, the Court held a status conference in the above-captioned chapter 11 cases concerning (i) Debtors' Motion Pursuant to Fed. R. Bankr. P. 9019 for approval of the RMBS Trust Settlement Agreements [Docket No. 320] (the "***RMBS Settlement Motion***"), (ii) Debtors' Motion for Entry of an Order Under Bankruptcy Code Section 365 and Bankruptcy Rule 6006 Authorizing the Debtors to Assume Plan Support Agreements with Steering Committee Consenting Claimants [Docket No. 318] (the "***Steering Committee PSA Motion***"),

and (iii) Debtors' Motion for Entry of an Order Under Bankruptcy Code Section 365 and Bankruptcy Rule 6006 Authorizing the Debtors to Assume Plan Support Agreements with Talcott Franklin Consenting Claimants [Docket No. 319] (the "***Talcott Franklin PSA Motion***") and, together with the RMBS Settlement Motion and the Steering Committee PSA Motion, the "***Motions***"). At the status conference, the Court directed the debtors in the above-captioned chapter 11 cases (the "***Debtors***"), MBIA Insurance Corporation ("***MBIA***"),¹ an unsecured creditor of the Debtors, and any other relevant parties to meet and confer to determine how the proposed RMBS Trust Settlement² may impact their respective interests and to discuss how to proceed with discovery. The Court further instructed MBIA and the Debtors to file a status report by July 6, 2012 at 5:00 p.m. (EDT) informing the Court of any disputes.

2. Following the status conference, MBIA engaged with three parties concerning the Motions: (i) the Debtors and their counsel; (ii) the Talcott Franklin Group and its counsel; and (iii) the Steering Committee Group and its counsel. A brief summary of the status of MBIA's discussions with each of these three groups is set forth below.

A. The Debtors

3. MBIA and the Debtors met on the morning of June 26, 2012, to discuss the RMBS Trust Settlement. The parties engaged in preliminary discussions concerning the substance of the RMBS Trust Settlement and the Debtors agreed to produce certain relevant documents to enable MBIA to more fully evaluate the impact of the proposed settlement upon its claims. The Debtors and MBIA are currently negotiating a confidentiality agreement and MBIA

¹ Although MBIA is a member of the official committee of unsecured creditors appointed in these cases, MBIA submits this Status Report solely in its individual capacity, and not on behalf of any other entity.

² Capitalized terms used but not defined herein shall be given the meanings ascribed to them in the RMBS Settlement Motion.

is hopeful that document production will commence soon. Although MBIA and the Debtors have been unable to agree regarding the production of certain other documents, MBIA does not believe it is necessary to bring those matters before the Court at this time. Rather, MBIA and the Debtors wish to continue with the meet and confer process and have agreed to reserve their rights with respect to such issues. MBIA expects that such further discussions with the Debtors will address the substance of the settlement and its impact upon MBIA, as well as all discovery issues. MBIA and the Debtors have agreed to meet again on July 16, 2012.

B. The Talcott Franklin Group

4. MBIA has been in contact with the Talcott Franklin Group both before and after the status conference, and the parties continue to meet and confer. The Talcott Franklin Group has answered some of MBIA's questions concerning the RMBS Trust Settlement and has agreed to produce certain categories of documents to MBIA. Although MBIA and the Talcott Franklin Group do not agree on all issues, MBIA does not request the Court intervene at this stage. MBIA and the Talcott Franklin Group reserve all rights with respect to such issues and will seek to resolve any disputes consensually before appealing to the Court. Counsel to MBIA and the Talcott Franklin Group last spoke on July 2, 2012, and plan to speak again soon to coordinate the discovery process further. MBIA anticipates that document production will commence in the very near future.

C. The Steering Committee Group

5. Leading up to the June 25, 2012, status conference it was clear that MBIA and the Steering Committee Group disagreed regarding discovery. Since that time, however, the parties have been able to achieve some progress, while reserving their rights as to those issues that they have agreed to defer.

6. On June 29, 2012, MBIA sent a letter to Kathy Patrick of Gibbs & Bruns, LLP (“**G&B**”), counsel to the Steering Committee Group, indicating a willingness to work with her firm to resolve any disputes and to discuss a mutually agreeable discovery process. Counsel to MBIA and the Steering Committee Group subsequently held their second meet and confer on July 5, 2012. Although some issues remain unresolved, this meeting proved more productive than the parties’ initial meet and confer and MBIA and the Steering Committee Group have outlined a process by which they will proceed. G&B has agreed to begin producing documents next week, which will largely consist of documents that G&B received from the Debtors regarding the settlement. Further, the parties have agreed to defer the issue concerning the production of communications between the Steering Committee Group and the Debtors, which may be revisited after MBIA has reviewed the documents produced by G&B in the first instance. The parties also have agreed that any discovery disputes that cannot be resolved consensually will be brought before the Court for resolution at the appropriate time. The parties reserve their rights with respect to certain other issues, which remain subject to further discussion.

D. Next Status Conference

7. MBIA intends to keep the Court apprised of its progress with the above parties and of any disputes that cannot be resolved consensually. To that end, MBIA respectfully requests that the Court schedule a status conference for the July 24, 2012, omnibus hearing, at which time MBIA, the Debtors, and the other relevant parties may report as to the status of discovery and proceedings related to the Motions.

Dated: New York, New York
July 6, 2012

CADWALADER, WICKERSHAM & TAFT LLP

By /s/ Mark C. Ellenberg

Gregory M. Petrick

Ingrid Bagby

CADWALADER, WICKERSHAM & TAFT LLP

One World Financial Center

New York, New York 10281

Telephone: (212) 504-6000

Facsimile: (212) 504-6666

-and-

Mark C. Ellenberg

CADWALADER, WICKERSHAM & TAFT LLP

700 Sixth Street, N.W.

Washington, DC 20001

Telephone: (202) 862-2200

Facsimile: (202) 862-2400

Attorneys for MBIA Insurance Corporation